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March 29, 1985

JOHN R. SCHOEMER, JR.
OF COUNSEL

BY HAND

Honorable Robert W. Sweet
United States District Judge
United States District Court
Southern District of New York
Foley Square
New York, New York 10007

Re: Universal City Studios, Inc. v.
Nintendo Co. Ltd. and Nintendo of
America, Inc., 82 Civ. 4259 (RWS)

Dear Judge Sweet:

I wish to comment briefly on Mr. Kirby's letter to Your Honor of March 22, 1985. Mr. Kirby claims to read Universal's trial memorandum, and in particular the argument Universal gives as to why Nintendo's misappropriation/"unjust enrichment" claim should be dismissed as a matter of law, as a suggestion for consolidating this lawsuit with the one Coleco filed against Universal last April. Coleco does, of course, assert a claim against Universal which I suppose can be said to "compete" with the one Nintendo makes here for alleged "misappropriation," at least in the sense that both parties are asking either for the return (Coleco) or payment (Nintendo) of the royalties Coleco paid Universal in settlement of Universal's King Kong claims. But I think Mr. Kirby overstates the proposition when he states that both Nintendo and Coleco are competing for the royalties Universal received from "the marketing of Donkey Kong." Universal did not "market" Donkey Kong. Universal was paid royalties for agreeing not to sue Coleco for infringing King Kong, but even Coleco makes no claim that Universal was "marketing" or selling Donkey Kong. Coleco does seek rescission of its agreement with Universal, but that

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claim is quite different -- factually and legally -- from the one Nintendo makes here, and I do not see how it serves anyone's interest to attempt at this juncture to consolidate the two lawsuits. Besides, Universal has already moved to dismiss Nintendo's claim to these royalties and for the reasons given in the two briefs it filed (which address both versions of the way Nintendo has stated it) urges the Court to resolve the claim on that basis.

I might point out, moreover, Nintendo alleges other counterclaims against Universal which have nothing to do with Coleco, and I am not clear why or exactly how these could be consolidated with Coleco's lawsuit in any event. But perhaps the whole discussion is academic. After all, Mr. Kirby states in his letter that Nintendo is not urging the Court to consolidate these claims and, of course, neither Coleco nor Universal has sought or is now seeking consolidation.

As to the trial of Nintendo's claims, I have told the Universal executives who will testify in this case (shortly after I spoke to Mr. Sacco approximately two weeks ago) to be prepared to be in New York for trial during the week of April 29th, and am myself proceeding on the basis that the case will go forward during that week. I mention this because if, for some reason, the case cannot go forward on the 29th, I would have a substantial problem in going to trial in the two weeks immediately following, owing to the fact that that in each of the weeks through May 18 one or the other of my two principal witnesses would be out of the country on matters that were scheduled some time ago. I assume that if there is a problem as to the Court's schedule or if Mr. Kirby runs into a problem in arranging for the witnesses on the 29th, Mr. Sacco will let us know, but I did want to bring this to the Court's attention.

A brief note responding to Mr. Kirby's comment on the preemptive effect of § 301 of the Copyright Act: I believe this issue is covered quite well in the Second Circuit's decision in Harper & Row Publishers, Inc. v. Nation Enterprises, 723 F.2d 195, 201 (1983), a case we cited in our trial memorandum. The gist of Nintendo's claim, after all, is that Universal usurped its "property rights" in Donkey Kong by entering into a license agreement with Coleco. Putting aside the flawed factual basis for this argument, the "property rights" Nintendo invokes in this argument are exactly the same

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property rights that § 106 of the Copyright Act covers. I was not aware not that we were undermining the Supreme Court's decision in International News Service when we pointed this out in our brief.

Turning last to our citation of Hairline Creations Inc. v. Kefalas, 664 F.2d 652, 658 (7th Cir. 1981), I can only say that Mr. Kirby is mistaken. The Seventh Circuit stated specifically in Bittner v. Sadoff & Rudoy Industries, 728 F.2d 820 (7th Cir. 1984), that it need not reach the question whether Hairline was still "good law" in view of White v. New Hampshire Dept. of Employment Security, 455 U.S. 445 (1982). 728 F.2d at 828. In addition, the Bittner court noted that the Lanham Act attorneys' fee award section (15 U.S.C. § 1117) which Hairline addressed differed from the ERISA section addressed in Bittner because the "exceptional circumstances" standard in the Lanham Act makes the award analogous to an award of punitive damages -- the request for which should be made in a motion to amend the judgment under Fed. R. Civ. P. 59(e). Id. Thus, we stand by our statement that the Hairline decision is the only case of which we are aware which squarely addresses the issue.

Sincerely,

DOUGLAS C. FAIRHURST

DCF:cg

cc: John J. Kirby, Jr., Esq. ✓
Richard C. Seltzer, Esq.

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